

Weekly Focus

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TRENDS TO KEEP AN EYE ON

Asia – a new trading bloc being formed by China, Japan and South Korea; **Bahrain** – a tighter union with Saudi Arabia; **Eurozone** – depressing economic forecasts; **Greece** – the ECB has stopped lending to some banks; **Mexico** – the economy picked up momentum; **Netherlands** – ever deeper political divisions; **Turkey** -- reviving the stalled bid to join the EU.

ALGERIA

The elections did not give Islamists anywhere near the gains they had hoped for. Until President Bouteflika's scheduled departure in 2014 the regime certainly seems secure. It has some reason to be concerned about militants in the Sahel to the South, however.

BRAZIL

The authorities seem to be winning the "currency war" – for now. Meanwhile, its patience tested by Argentina's unilateral import restrictions, the Brazilian government is hitting back with curbs of its own.

FRANCE

President Hollande has installed a relatively moderate Cabinet and has rushed to break bread with Germany's Chancellor Angela Merkel. He may be able to get from Germany what he wants, but he will face immediate, tough tests at home in the form of a larger-than-expected budgetary red-ink spill and a stalled economy.

GERMANY

The economy did quite well in the first quarter, yet Chancellor Merkel's party was trounced in key state elections. These two trends may make it easier for her to show the pragmatism required to maintain the Paris-Berlin axis that has been keeping the Eurozone intact.

GREECE

The inability of the politicians to form a new government after the elections has increased the risk of a Greek exit from the Eurozone. It appears that many people in and outside Greece greatly underestimate the disaster such a development would be. There is still hope, but the options are dwindling.

ITALY

Last weekend's local elections will have profound implications for PM Monti and his government. They are already pushing back the goal of a balanced budget. The pressure on the Premier will grow to put up a tougher fight with Germany over growth-oriented policies.

POLAND

There are increasing signs that growth is slowing this year, but at least for now a recession does not appear to be in the cards, leaving Poland in a favorable position compared to other EU members. Inflation is likely to ebb, giving the CB room for keeping interest rates low.

SPAIN

The fourth banking reform plan in as many years still appears inadequate. Yet another attempt will probably be needed in the not too distant future, quite possibly one that involves an EU/IMF bailout. The EU is prepared to stretch out the timetable for budget deficit targets, but the offer comes with conditions attached.

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